D 32369

92 14 5598 Q-35602

12

D91-2265

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended April 3, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 33-440998-LA

BEST COPY AVAILABLE

SPARTA, INC.

(Exact name of registrant as specified in its charter)

Delaware	63-0775889
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

23041 Avenida de la Carlota, Suite 400, Laguna Hills, CA 92653-1507

(Address of principal executive offices) (Zip Code)

(714) 768-8161

(Registrant's telephone number, including area code)

PROCESSED BY 12-11K MAY 19 1992 SY

Microfilmed by Q-Data Corp. - St. Petersburg, FL

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act or 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes x No___

As of April 30, 1992, the registrant had 7,519,081 shares of common stock, $.01 par value per share, issued and outstanding.

PART I

FINANCIAL INFORMATION

SPARTA, INC.

CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

Item 1. Financial Statements

	Three months ended March 31	
	1992	1991
Sales	$ 19,661,000	$ 13,002,000
Costs and expenses:		
Labor costs and related benefits	11,382,000	7,577,000
Subcontractor costs	4,145,000	2,078,000
Facility costs	1,818,000	1,730,000
Travel and other	1,015,000	658,000
Interest expense	114,000	120,000
	18,474,000	12,163,000
Income before income taxes	1,187,000	839,000
Provision for income taxes	489,000	344,000
Net income	$ 698,000	$ 495,000
Earnings per share of common stock and equivalents	$ .09	$ .07

See accompanying notes to consolidated financial statements

CONSOLIDATED BALANCE SHEET

ASSETS	March 31 1992 (Unaudited)	December 31 1991
Current Assets:		
Cash	$ 49,000	$ 679,000
Accounts receivable	22,253,000	21,868,000
Prepaid expenses	466,000	307,000
Total current assets	22,768,000	22,854,000
Equipment and improvements, net	6,287,000	6,271,000
Other assets	1,707,000	1,470,000
	$ 30,762,000	$ 30,595,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accrued compensation	$ 3,877,000	$ 3,584,000
Accounts payable and other accrued expenses	4,392,000	4,227,000
Current portion of notes payable	311,000	327,000
Current portion of subordinated debt	1,193,000	1,197,000
Deferred income taxes	5,893,000	5,457,000
Total current liabilities	15,666,000	14,792,000
Notes payable	4,025,000	6,287,000
Subordinated notes payable	878,000	1,162,000
Deferred income taxes	265,000	265,000
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value; 25,000,000 shares authorized; 7,659,043 and 7,292,021 shares issued and outstanding	76,000	73,000
Additional paid-in capital	19,587,000	17,012,000
Retained earnings	16,559,000	15,861,000
Less:		
Treasury stock	(25,863,000)	(24,612,000)
Receivables from stockholders	(431,000)	(245,000)
Total stockholders' equity	9,928,000	8,089,000
	$ 30,762,000	$ 30,595,000

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	March 31	
	1992	1991
Cash flows from operating activities:		
Net income	$ 698,000	$ 495,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	456,000	380,000
Loss on sale of equipment	7,000	11,000
Increase in accounts receivable	(385,000)	(867,000)
Increase in prepaid expenses	(159,000)	(237,000)
Decrease in other assets	47,000	223,000
Increase (decrease) in accrued compensation	293,000	(464,000)
Increase (decrease) in accounts payable and other accrued expenses	165,000	(688,000)
Increase in deferred income taxes	436,000	79,000
Net cash provided by (used in) operating activities	1,558,000	(1,063,000)
Cash flows from investing activities:		
Capital expenditures	(458,000)	(1,175,000)
Other	(305,000)	11,000
Net cash used in investing activities	(763,000)	(1,164,000)
Cash flows from financing activities:		
Proceeds from issuance of stock	2,366,000	1,419,000
Tax benefit relating to stock plan	215,000	265,000
Purchase of treasury stock	(1,254,000)	(2,714,000)
Increase in receivables from stockholders	(186,000)	
Net (repayments) borrowing under line-of-credit agreement	(2,250,000)	2,350,000
Proceeds from new debt	141,000	1,114,000
Principal payments on debt	(457,000)	(291,000)
Net cash (used in) provided by financing activities	(1,425,000)	2,143,000
Net decrease in cash	(630,000)	(84,000)
Cash and cash equivalents at beginning of period	679,000	88,000
Cash and cash equivalents at end of period	$ 49,000	$ 4,000
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 138,000	$ 132,000
Income taxes	$ 5,000	$ 65,000

See accompanying notes to consolidated financial statements

SPARTA, INC.

Notes to Consolidated Financial Statements
(Unaudited)

Note A - Basis of Presentation

The accompanying financial information has been prepared in accordance with the instructions to Form 10-Q and therefore does not necessarily include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

The Company's fiscal year is the 52 or 53 week period ending on the Friday closest to December 31. The Company's last fiscal year ended on January 3, 1992; and, its first quarter ended April 3, 1992 and corresponding first quarter last year on March 29, 1991. To aid the reader of the financial statements the yearend has been presented as December 31, 1991 and the quarters ended as March 31, 1992 and 1991.

In the opinion of management, the unaudited financial information for the three-month periods ended March 31, 1992 and 1991 reflects all adjustments (which include only normal, recurring adjustments) necessary for a fair presentation thereof.

Note B - Receivables

Unbilled accounts receivable include $1,171,000 of costs incurred on projects for which the Company has been requested by the customer to begin work under a new contract or extend work under a present contract, but for which final contract negotiations or formal contracts or contract modifications have not been executed at March 31, 1992.

Note C - Income Taxes

Income taxes for interim periods are computed using the estimated annual effective rate method.

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations

Results of Operations

Consolidated sales for the three months ended March 31, 1992 increased 51.2% compared to the first quarter for the prior year. The source of revenue growth was primarily labor related revenues accounting for 63% of the increase. The remaining revenue growth came from the pass through of material and subcontractor costs on contracts. The growth in labor related revenues is in line with the growth in employees from 439 at March 31, 1991 to 540 at March 31, 1992. As in the past, substantially all the Company's revenues are from cost reimbursement, or time and materials contracts.

Facility costs for the three month period ended March 31, 1992 rose only 5% compared to the three month period ended March 31, 1991 as a result of better utilization of existing facilities that the Company currently occupies. Travel and other costs increased 54.1% during the current three month period which is in line with the increase in sales. Interest costs are not reimbursable under the Company's contracts. Interest expense for the three months ended March 31, 1992 and 1991 includes interest on the Company's bank line of credit and notes payables for the capitalized leases and stock repurchases. Interest expense decreased because of reduced borrowings under the bank line of credit agreement and a reduction in the prime rate of interest during the year.

The provision for income taxes for the three months ended March 31, 1992 and 1991 was 41% for both periods. This rate approximates the statutory rate for federal and state taxes which is the rate for the entire year that the Company expects to incur.

Liquidity and Capital Resources

The Company's primary sources of liquidity are funds provided by operations and the bank line of credit. The line of credit provides for borrowings up to $8,500,000 with all borrowings due June 1, 1993. In connection with the line of credit, the Company is required to comply with certain working capital and other restrictive covenants including restrictions on dividends. At March 31, 1992 and December 31, 1991 the amount outstanding under the line of credit was $3,800,000 and $6,050,00, respectively. The Company is actively monitoring accounts receivable with emphasis on collection activities and improving efficiencies in the receivable billing process.

During the three month period the Company continued to buy back its common stock. There are restrictions on the amount of stock the Company can buy back at one time. The Company's borrowing capacity plus cash flows from operations are expected to provide sufficient funds for the Company's operations and planned capital expenditures. Capital expenditures for the three months ended March 31, 1992 were $458,000.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 2. Changes in Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits and Reports on Form 8-k

(a) Exhibits - See Exhibit index.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed by the registrant during the fiscal quarter for which this report is filed.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SPARTA, INC.

Date: May 14, 1992

Bruce D. Nye
Vice President and Chief
Financial Officer
(Principal financial and chief accounting
officer)

Exhibit Index

SPARTA, INC.

Quarter Ended March 31, 1992

Exhibit No.	Description of Exhibits	Sequential Page No.
1	Statement re: Computation of Per Share Earnings	

EXHIBIT 1

SPARTA, INC.

Exhibit to Consolidated Financial Statements
Computation of Per Share Earnings
(Unaudited)

	Three months ended March 31	
	1992	1991
PRIMARY		
Net income (Note 1)	$ 767,000	$ 556,000
Average shares outstanding	7,544,161	7,087,965
Dilutive stock options - based on the treasury stock method using the average established price	826,526	816,449
Total	8,370,687	7,904,414
Per share amounts	$ .09	$ .07
FULLY DILUTED		
Net income (Note 1)	$ 764,000	$ 556,000
Average shares outstanding	7,544,161	7,087,965
Dilutive stock options - based on the treasury stock method using the quarter end or exercise date established price if higher than the average established price	826,526	816,449
Total	8,370,687	7,904,414
Per share amounts	$ .09	$ .07

Note 1 - Net income has been adjusted for interest expense (net of tax) resulting from the assumption that a portion of the proceeds received under option exercise has been used to retire debt.